

ACCOUNTING

Time allowed – 1½ hours

Total marks – 100

{N.B. – Figures in the margin indicate full marks. Question must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.}

Marks

1. (a) “Prior period errors are corrected retrospectively and changes in accounting estimates are applied prospectively”. Explain the usages of accounting estimates and correction of prior period errors in the light of BAS-8. 5
- (b) On 1st June 2012 Mr. Alive started a cosmetic business by investing Tk.26,200 cash in the business. Following are the assets and liabilities at June 30 and the revenue and expenses for the month of June:

Cash	Tk.12,000
Accounts Receivables	4,000
Service Revenue	7,500
Cosmetic Supplies	2,000
Advertising expenses	500
Equipment	25,000
Notes payable	13,000
Accounts payable	1,200
Supplier expenses	1,600
Gas expenses	800
Utilities expenses	300

Mr. Alive made no additional investment in June, but withdrew Tk.1,700 in cash for personal use during the month. Prepare the income statement and owner’s equity statement for the month of June and a balance sheet at 30th June 2012. 12

2. Bright & Co., prepared a trial balance for the year ended on 31.12.2012 which contained a suspense account with a credit balance of Tk.1,040. Investigations revealed the following errors:
- (i) A sale of goods on credit for Tk.1,000 had been omitted from the daily sales book.
 - (ii) Delivery and installation costs of Tk.240 on a new item of plant had been recorded as revenue expenditure in the distribution costs account.
 - (iii) Cash discount of Tk.150 had been taken on paying a supplier. Mr. White, the payment was made on 5.1.2013. Mr. White is insisting that Tk.150 is still payable.
 - (iv) Raw materials purchase of Tk.350 had been recorded in the purchase books as Tk.850, but the trade payable account was correctly written up.
 - (v) The purchase day book included a credit note of Tk.230 as an invoice in the total column. The correct entry was made in the purchase account.

Requirements:

- (a) Identify the nature/type of error made and prepare journal entries to correct the above errors. 8
 - (b) Open a suspense account and show the corrections to be made. 5
 - (c) Calculate the revised gross and net profit figures after correction of the errors. Before correction of errors the gross profit of the company was Tk.35,750 and the net profit was Tk.18,500. 5
3. (a) Define capital income, revenue income, deferred expenditure and capital expenditure with examples. 4
- (b) Mr. Karim ends his financial year on 31 March. At 1st April 2012, he had an inventory valued at Tk.8,800. During the year to 31 March 2013, he purchased goods costing Tk.48,000, Fashion goods which cost Tk.2,100 were held in inventory at 31 March 2013 and Mr. Karim believes that these can now only be sold at Tk.400. Goods held in inventory at 31 March 2013 (including the fashion goods) had an original purchase cost Tk.7,600. Sales for the year were Tk.81,400.

Requirement

Calculate Mr. Karim’s gross profit for the year ended 31 March 2013. 8

[Please turn over]

4. (a) XYZ company purchased a machinery for Tk.15,50,000 on 1 January 2008. The company revalued the machinery on 31.12.2011 to Tk.20,00,000. The depreciation rate is 10% and straight line method of depreciation is followed. As on 31.12.2012, at year end, the company further revalued the same machinery at Tk.11,00,000. Suggest the accounting treatment of such revaluation of machinery as on 31.12.2012. 5
- (b) On January 1, 2007, Road King Co. purchased a Corolla car costing Tk.28,000. The car has been depreciated using straight line method of depreciation. The useful life of the car is 4 years and salvage value is Tk.4,000. The company's accounting year ends on December 31. Prepare the journal entries to record disposal of the car on the following assumptions: 16
- (i) Retired and scrapped with no salvage value on January 1, 2011
- (ii) Sold for Tk.5,000 on July 1, 2010
- (iii) Traded in on a new Corolla car on January 2010. The fair market value of the old car was Tk.9,000 and Tk.22,000 was paid in cash.
- (iv) Traded in on a new generator on January 2010. The fair market value of the old car was Tk.11,000 and Tk.12,000 was paid in cash.
5. Bank Account balance in the cash book of ABC Ltd., showed credit balance of Tk.6,000 as on 30 June 2012. The bank statement as at 30 June 2012 showed an overdraft of Tk.700. The following were recorded on checking the cash book and the bank statement as on 30 June 2012:
- (a) Cheques drawn Tk.10,000 had been entered in the cash book but had not yet been presented.
- (b) Cheques received Tk.8,000 had been entered in the cash book but had not yet been credited by the bank.
- (c) On instructions from ABC Ltd. the bank had transferred Tk.1,200 interest received on 30 June 2012 to another account of the company, but it only recorded the transfer on 05 July 2012. This amount was credited in the cash book on June 30, 2012.
- (d) Bank charges of Tk.700 shown in the bank statement had not been entered in the cash book.
- (e) The payments side of the cash book had been undercast by Tk.200.
- (f) Tk.4,000 received as dividend had been paid direct into the bank and not entered in the cash book.
- (g) A cheque of Tk.1,000 from Sunil was recorded and banked on 20 June. This was returned unpaid on 30 June and then shown as a debit on the bank statement. No entry has been made in the cash book for the unpaid cheque.
- (h) A cheque issued to Mr. X for Tk.500 was placed when it was more than 6 month's old, and become out of date. The bank has refused to pay it. It was entered again in the cash book, no other entry being made.
- Both cheques mentioned in above were included in the total of unrepresented cheques.

Required:

- (i) Make the appropriate adjustments in the cash book as on 30 June 2012. 32
- (ii) Prepare a statement reconciling the amended balance with that shown in the bank statement.